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GAO: HIGH COSTS TO TAXPAYERS, LOWER SPENDING ON BENEFITS IN MEDICARE ADVANTAGE

Health Reform Ensures MA Plans Are A Better Value For Seniors, People With Disabilities
WASHINGTON - A report released today by the Government Accountability Office (GAO) raises questions about the high administrative costs of many private insurance companies that offer coverage through Medicare Advantage (MA) plans. The report found:

•   One out of every three MA enrollees is in a plan that spends less than 85 percent of their projected Medicare payment on medical expenses, which means more than 15 percent of their projected Medicare payment goes to overhead and profit.
•   The more market concentration there was in a given area, the higher the insurance companies' bids and subsequent costs to Medicare and taxpayers were.

Health reform contains new tools that will ensure that more of the insurance companies' payments go toward beneficiaries' health care, and less toward profits and bureaucracy. Leading Members of Congress from the House Ways and Means and Energy and Commerce Committees today responded to the GAO report:

Rep. Pete Stark (D-CA), Ranking Member of the House Ways and Means Health Subcommittee: **"If Republicans actually cared about the benefits in Medicare Advantage plans, they would support protections in health reform that stop insurers from pocketing taxpayer dollars while spending less on medical care.⬜ They don't care – they'd rather protect insurance companies' profit margins than seniors and taxpayers."**

Rep. Sander Levin (D-MI), Ranking Member of the House Ways and Means Committee: **"Toda y's report illustrates why health reform is so vital to seniors and people with disabilities: it ensures that they get the most care for their dollar. If it were up to the Republicans,**

insurance companies would be allowed to continue to spend exorbitant amounts of taxpayer money on overhead and administrative costs."

Rep. Henry Waxman (D-CA), Ranking Member of the House Energy and Commerce Committee: **"Republicans like to say that they're going to use competition to drive down the costs of Medicare, but a close look at the data reveals that there is only limited competition in the vast majority of the country. That's why the improvements to Medicare in the Affordable Care Act are so important – they'll bring Medicare costs down to ensure its solvency for years to come."**

Rep. Frank Pallone (D-NJ), Ranking Member of the House Energy and Commerce Health Subcommittee: **"This report shows that overhead expenses are too high and profit margins are too wide. These are wasted dollars that should be used to keep the Medicare system strong and its patients healthy."**

Rep. Charles B. Rangel (D-NY): **"The Medicare administrative cost is less than 3%. This report shows that private Medicare plans have an administrative cost that is in the double digits. We cannot afford this kind of waste in Medicare and beneficiaries and taxpayers deserve a better deal."**

Rep. John D. Dingell (D-MI): **"Today's report confirms something that we've long suspected – that big plans dominate most parts of the country, increasing costs for beneficiaries and taxpayers. Health reform will change this beginning in 2014, ensuring health insurance companies in Medicare will be required to offer decent value for beneficiaries and taxpayers."**

This report raises additional questions about the plan offered by House Budget Chairman Paul Ryan (R-WI), which would dismantle Medicare for those under 55 and turn the entire marketplace over to private insurance companies.

For the full GAO report, please visit: http://go.usa.gov/YSk

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